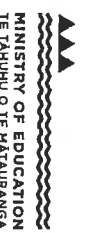


# Driving Results Through Better Investment

We are moving to a more student-focussed system that better targets achievement, enables and supports collaboration. It will be backed by better investment practices and analysis, and the incorporation of a whole of social sector perspective. We continue to ask 'are we supplying sufficient amounts of the right resource in the right people and systems to make the most difference?'

## BUDGET – SENSITIVE

8 March 2016



### LEARNER AND ACHIEVEMENT DRIVEN SYSTEM LEVERS

Atomised, process focussed system



A student-focussed system that better targets and enables achievement

#### Communities of Learning

- A simplified interface, with 250 Communities of Learning rather than 2500 schools. Enable more devolved decision-making and increased efficiency through the sharing of resources.

#### Quality Teaching and Learning

- Maximise the value of our investment by ensuring the best teachers can work across their community, improving teaching practice and targeting effort where it is most needed.
- Enable school leadership to focus less on school management issues, and more on ensuring students receive the teaching and learning they need.

#### Target Learning Growth

- Continue to improve what we know about student progress at all levels of the curriculum, in order to target resources to where they are needed most.
- Build on the success of national standards and continue the roll out of tools such as PACT and e-asTTle, to provide better system level information about student progress.
- Continue to contribute to, and make use of, the IDI.

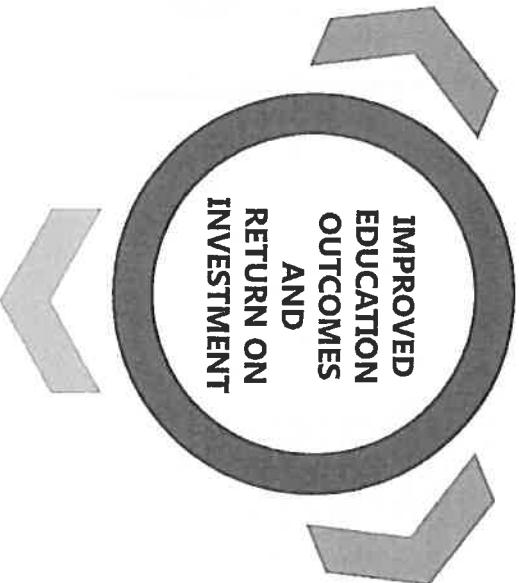
#### The Review of the Funding System

- Shift our funding system from one focussed on inputs to one that focuses on investing in student characteristics, risks and outcomes.

#### The Review of the Education Act

- Shift the Act's focus from institutions and processes towards performance goals and more devolved decision-making about provision and types of learning.

All redactions made under 9(2)(f)(iv)



### A RETURN ON INVESTMENT VIEW OF THE EDUCATION SYSTEM

We know from the 0-24 reviews that programme and policy evaluation is weak



We will know, or be assessing the efficacy of all programmes & policies

There is limited overall investment strategy across the pipeline

Investment will be prioritised to where it will have the most impact

- Established an analytics team and education system investment team to progress the investment approach within education
- Utilising predictive modelling and analytics in service delivery and programme evaluation
- Developed a predictive model to better target the ART programme and made available to service providers
- Building on previous work to calculate long term liability of (non) achievement and costing education pathways
- Applying insights from predictive modelling to the targeting schools operational grant initiative and the funding review
- Use of Cost Benefit Analysis to help inform programme and policy development
- Working with The Treasury and the Social Investment Unit to develop the use of the CBAX tool and expand the *Impacts Database* to make it more relevant to Education.
- Promoting the use of CBA earlier in the programme and policy development process

### REDUCING FUTURE SPENDING BY INVESTING ACROSS THE SOCIAL SECTOR WHERE WE CAN MAKE THE MOST DIFFERENCE

Agency silos and cluttered ineffective interventions



Agencies are joined up and effective at delivering integrated services

- Follow ups to 0-24s work and Youth Funding Review
  - Refocusing ineffective interventions through reviews/savings
  - Further work needed to identify comparative ROI of programmes
- Getting better impact from universal levers (eg Funding Review, targeting the Ops grant in B16)
- Working with the Social Investment Unit to identify investment priorities and what works, and to develop the tools for estimating ROI
  - [Redacted]
- Collaborative, integrated, evidence-driven place-based proposals
- Implementation of EAP's CVF recommendations

# Driving Results Through Better Investment

We have worked to ensure the education system more explicitly targets participation and achievement and is more responsive to the needs of all students. We are continuing to work to improve quality in the ECE sector, make the schooling system more results-oriented and student-focused, and strengthen collaboration across the education system.

## BUDGET – SENSITIVE

8 March 2016



### ECE

ECE expenditure



\$1.7 bn

65%

growth since 2008/09

#### Key Drivers

- 13% more ECE enrolments between 2008 and 2014
- Between 2008 and 2014 there were:
  - More young children: 1.6% increase in children aged 0-4
  - More sole mothers in the workforce: increase from 64% to 70%
- Greater proportion participating: from 93.6% of children starting school to 96.2%

#### VFM – efficiency and effectiveness



- Research shows long-term benefits for all children with the greatest impact for disadvantaged groups, so major focus is on raising participation for these groups BUT we lack good measures to assess effectiveness and outcomes
- Spending is above average and high public proportion of spending, but subsidies support high participation and comparatively low child-teacher ratios
- Return on Investment/efficiency reduced by high subsidies for those who would pay anyway
- Projected increases to spending likely to outstrip affordability to the Crown
- Shaping the system to focus more on what works for those with highest long-term risks is a key direction

#### What we've done

Significant savings have been made in the last few years— Over \$28 million of savings in ECE have been made since 2009 including by removing the 100% qualified teacher funding band and adopting a range of grants and other incentives.

...while we have invested in improving participation, particularly amongst our priority groups...

Over 14,000 children have been enrolled through a range of targeted initiatives.

...while increasing our targeted spend, and improving our data. In Budget 2010 we extended Equity Funding to all service types, one stream of which aims to support disadvantaged children.

We have successfully designed and implemented the Early Learning Information (ELI) system which gives us real-time data on attendance patterns and means we can improve compliance monitoring.

#### What we're doing

We continue to focus on achieving the BPS target and how funding can be configured to best support disadvantaged groups...

...while seeking to move the conversation to focus more on quality and how this can be measured.

Supporting ECE participation in CoLS to help services get the benefits of improving teacher practice through professional collaboration.

Analysing the data captured by ELI to identify trends and better understand which children are participating in ECE and how long for.

### SCHOOLING

Primary Education expenditure



\$3.0 bn

26%

growth since 2008/09

Secondary Education expenditure



\$2.1 bn

16%

growth since 2008/09

#### Key Drivers

- Collective agreement negotiations and other price adjustments
- Roll growth (incl. as a result of increased senior-secondary retention)
- Population growth: Between 2008 and 2015 there was a 2.2% increase in children age 5-19
- Targeted investments to support system change, raise achievement and enable at-risk students to succeed

#### VFM – efficiency and effectiveness



- Reasonably efficient in terms of spending levels for performance levels compared to other countries, high average achievement levels but also a high proportion of low achievers
- Some decline against international comparators
- We are making progress for key groups at risk of not achieving and for average (at BPS improvement)
- System changes in train to deliver a more performance and achievement-focused system
- Still have work to do to embed a stronger return on investment lens

#### Longer term ROI/future sustainability

#### What we've done

Significant savings have been made in the last few years: Over \$382 million of savings in Schooling have been made since 2008, primarily through line-by-line Reviews to identify areas where demand is declining or expenditure is less well aligned with outcomes.

We have invested in improving system performance through policies such as:

- Investing in Educational Success
- Strengthening Initial Teacher Education
- Establishing the Education Council
- While improving the responsiveness of our system to students needs through:
  - Establishing student-centred learning pathways in secondary schools
  - Investing in Special Education and reorientation through BLS towards a package of interventions to support students at risk of underachievement.
- We are shifting the system to focus on results and performance through the use of data
- National Standards provides achievement information for teachers and parents.

#### What we're doing

We are continuing to focus on achieving BPS result 5, whilst working to improve the long-term performance of the entire schooling system.

The 0-18 Funding Review will move to a more student-focused system that:

- Targets additional resources at the most at-risk students
- Supports the delivery of 21st century education
- Gets better outcomes from current levels of resourcing

#### What we're doing

- Provides flexibility and supports collaboration
- We are also:
  - Updating the Education Act to improve the effectiveness of the education system.
  - Implementing CoLS, which will drive innovation and greater performance through collaboration in pursuit of defined achievement challenges.

Improving the tools that are available to help monitor student outcomes:

- Building in-house capability around using the IDI, including a greater knowledge around the use of non-Education Data
- Working collaboratively across the Social Sector. Insights from this process have informed BLS initiatives, including:
  - Moving away from universal cost adjustments, towards more targeted approaches, such as a proposed increase to ops grant based on levels of parental benefit receipt

#### Where we're going

- Implementation of a new funding system from 2019
- Communities of Learning embedded in the system
- Timely, accurate data throughout the system informs policy design, resource allocation, CoL decision-making and parental choice
- We'll know which investments within schooling and across the social sector will give the best return.

# Driving Results Through Better Investment

We have developed a strategic asset management approach to managing the school property portfolio, which has driven greater efficiency and will enable a more efficient, programmatic, and effective approach to education infrastructure in the future.

At the same time, we have worked to ensure that the Ministry itself is running as efficiently and effectively as possible, and will be continuing down this path with the development of a Strategic Finance Plan and a focus on better, and more timely, information, clearer accountabilities and improved transparency.

# BUDGET – SENSITIVE

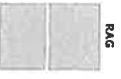
8 March 2016  
 MINISTRY OF EDUCATION  
 TE TAHUHU O TE MATARANGA

## INFRASTRUCTURE

School Property Portfolio  
 Management Appropriation

\$1.5  
 bn

26%  
 growth since  
 2008/09



Major improvements on supply side efficiency and effectiveness have been made, but at greater cost to the centre  
 • Some further scope to improve performance  
 Likely to continue to present fiscal challenges pointing to possible wider review of demand drivers down the track.

### Key Drivers:

- School roll growth and internal migration
- Asset remediation (e.g. weather-tightness, earthquake-strengthening)

### VFM – efficiency and effectiveness

Longer term ROI/future sustainability

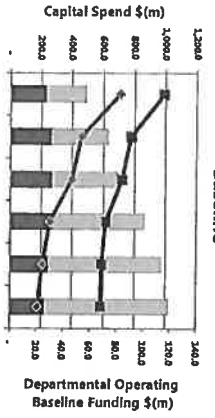
### What we've done

- In 2012 we assessed the state of the education property portfolio...
- The Education Infrastructure Service (EIS) was formed in 2013 to move the Ministry from a funder of property to a strategic asset manager.
- This allowed funding to be centralised and targeted where it was needed most...
- To address issues such as the Christchurch earthquake, deferred maintenance (25 major redevelopment projects approved with another 100 potentially in scope), weather-tightness (1,454 buildings tested and 493 repaired) and earthquake resilience (2,068 buildings assessed).
- ...and better manage development of the property portfolio...
- EIS has formed a central procurement team to get best value from the size of and spend on the portfolio.
- We have entered into two Public-Private Partnerships to drive innovation from the private sector.
- We are now managing complex projects for schools so they are done efficiently by property experts.
- We have released design standards for school buildings. They ensure school buildings are designed efficiently from a whole-of-life point of view and reduce build costs by ensuring they are not over-engineered.

### Where we're going

- We want to take a more comprehensive, programmatic approach to managing the property portfolio...
- We want to take a programme approach to Auckland (similar to the Christchurch Schools Rebuild) allowing us to be more innovative with procurement (bundling and PPPs) and leverage more bargaining power.
- We want to implement a service that schools can use to maintain their buildings.
- We aim to work more closely with schools...
- We want more frontline staff to engage with schools' more often and to ensure all their property needs are met, and to provide more guidance for board run projects.
- We want to encourage schools to work collaboratively and to share services and facilities when practical.

### Capital Spend and Operating



ES Baseline - Land Transport, Payroll and PPP (RHS)  
 ES Baseline - end Transport, Payroll, PPP, Non-Discretionary and Contractual Commitments (RHS)

## DEPARTMENTAL

Departmental Operating Appropriations excl.  
 Depreciation and Capital Change

\$0.5  
 bn

28%  
 growth since  
 2008/09



Absorbing costs through efficiencies and targeted VFM reviews  
 Under – Finance Transformation Programme underway to assess

### Key Drivers:

- Additional costs associated with school payroll
- Increased demand for special education services
- Special education wages
- New programmes and increased coverage for students at risk of underachievement, e.g. P84L
- Additional In-class Support

### VFM – efficiency and effectiveness

Longer term ROI/future sustainability

### What we've done

- We've managed pressures within baselines, against a low cost base...
- Met significant BAU cost pressures within baselines, including around \$40m in salary costs.
- Achieved savings across a range of areas; incl. cutting travel costs by more than 1/3.
- BASS performance indicates that the Ministry is low cost. MoE had second lowest administration and support costs as % of total running costs, in large agency peer group for 2014/15.
- ...whilst making organisational changes that position us well to drive ongoing performance improvement.
- Established a VFM Team and embedded VFM practices.
- Funded change to support organisational performance, incl. establishing Evidence, Data and Knowledge group, strengthening regional tier, integrating policy function.
- Equal highest improvement in public perceptions of Government Agencies result from 2015 Mood of the Nation.

### Where do we want to get to

- Sophisticated, fit-for-purpose information and processes support better decision-making.
- Clearer accountabilities and improved transparency for internal and external stakeholders.
- Accurate, timely information enables proactive management, prioritisation and allocation, informed by consideration of options and impacts.
- Greater understanding of the Ministry's departmental operating model and the impacts across non-departmental and capital expenditure.
- A credible 10-year view of the Ministry's financial sustainability, enables more strategic conversations about options.

### What we're doing

- We have a Finance Transformation Programme underway and are making changes that will enable efficient reallocation...
- Finance Transformation Programme underway, including:
  - Long-term Strategic Finance Plan
  - Investment Governance Framework
  - New Financial Management Information Systems and improved processes
  - Increased capability
- Utilising opportunities created by recent changes to the PFA to structure a set of WOCs, which will increase flexibility to reallocate funding towards the achievement of agreed outcomes, and address some inefficiencies in our current financial management model.
- However, the departmental baseline is under pressure and new funding is sought, whilst we investigate options for longer-term sustainability.
- Departmental baselines (excl. depreciation and capital change) reducing by \$35m in 2015/17. Seeking new funding to partially cover pressures that cannot be absorbed within this declining baseline.

